

TO: City Council

FROM: Rosemarie Ives

DATE: October 2, 2007

SUBJECT: RESOLUTION: Authorizing Interfund Loans to Cover Cash Overdrafts

I. Recommendation:

Approve the attached Resolution amending Resolution 949 and authorizing the use of special revenue, reserve, internal service, capital investment and utility funds to cover negative cash balances in City funds.

II. Department Contact:

Lenda Crawford, Finance Director 556-2160

Malisa Files, Financial Planning Manager 556-2166

III. Background:

In 1993, Council adopted Resolution 949 authorizing the use of General Fund money to cover negative cash balances due to the timing of revenue receipts and reimbursements in other city funds. As previously reported to Council, cash balances in the General Fund have declined significantly over the years. At the same time, there has been a rise in the number of funds that function solely on a reimbursement basis or are supported by revenues that are collected only once or twice a year, but with expenditures that occur throughout the year. Examples of these funds include the Advanced Life Support Fund, Parks Maintenance and Operations Fund and the, soon to be created, Public Safety and Parks funds receiving money from the recently approved levy lid lift. Property tax revenues from the levy lid lift will be primarily received in April/May and October/November making it virtually impossible to match up the timing of cash receipts and expenditure outlays.

The attached resolution would amend Resolution 949, giving the Finance Director authority to cover temporary cash overdrafts in one fund from any city fund with available cash. The fund loaning the money will receive a market rate of interest to ensure it is not penalized as a result of a loan. This will also ensure smooth fiscal operations as well as compliance with state regulations.

IV. Fiscal Impact:

The fiscal impact of this resolution is minimal. The funds used to cover temporary cash overdrafts will be paid back at a prevailing rate of interest.

V. Alternatives:

1. Approve the Resolution as proposed.
2. Do not approve the Resolution. When available, the City will continue to use General Fund money to cover cash overdrafts. However, if cash is not available in the General Fund, the City will need to use other sources of revenue to smooth fiscal operations as well as remain in compliance with state regulations.

VI. List of Attachments:

Attachment A: Resolution

/s/ Lenda Crawford, Director of Finance

Date: 9/21/2007

Approved for Council Agenda:

/s/ Rosemarie Ives, Mayor

Date: 9/24/2007

ATTACHMENT A

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF REDMOND, WASHINGTON, RELATING TO CASH
OVERDRAFTS IN SOME CITY FUNDS DURING THE
FISCAL YEAR AND AMENDING RESOLUTION 949

WHEREAS, certain of the City's funds, primarily capital project and special revenue funds, incur negative cash balances during the fiscal year due to the timing of receipts and reimbursements, and

WHEREAS, this resolution amends Resolution 949 to include other funds besides the General Fund to cover overdrafts of funds that do not have sufficient cash to cover overdrafts, and

WHEREAS, the General Fund does not always have sufficient cash to cover overdrafts of other funds, and

WHEREAS, special revenue, reserve, internal service, capital investment and utility funds may have sufficient cash to cover overdrafts, and

WHEREAS, the City's fiscal policies allow short-term borrowing over a period of three years or less through interfund loans, subject to Council approval, and

WHEREAS, the State Auditor's Office has notified the City in writing that negative cash balances in City funds are prohibited by RCW 43.09.210 which states, in part, that one fund shall not benefit from another fund's appropriation, now therefore,

THE CITY COUNCIL OF THE CITY OF REDMOND, WASHINGTON,
HEREBY RESOLVE AS FOLLOWS:

Section 1. Interfund Loans. The Finance Director is authorized to make interfund loans at the market rate of interest from Special Revenue, Reserve, Internal Service, Capital Investment and Utility Funds, as well as the General Fund to other City funds to cover cash overdrafts in those funds as needed.

Section 2. Resolution Amended. Resolution No. 949, passed by the City Council on June 9, 1993 is hereby amended.

Section 3. Effective Date. This resolution shall take effect and be in full force immediately upon passage by the City Council.

CITY OF REDMOND

MAYOR, ROSEMARIE IVES

ATTEST/AUTHENTICATED:

CITY CLERK, MALISA FILES

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
RESOLUTION NO.: